

November, 2002



Center for
Community
Performance
Measurement



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Benchmarking Economic Development in Worcester: 2002

CCPM-02-05

Welcome...



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Dear Citizen,

Last year the Center for Community Performance Measurement released its first report, *Benchmarking Economic Development in Worcester*. This report provides updated information on the same economic development measures presented previously. The measures indicate changes and accomplishments during the last year as well as future challenges. It is not our purpose in this report to provide recommendations for action. Rather, we are presenting the data to stimulate discussion about possible options for improving Worcester's performance. It will be up to the City government, citizens, businesses, and non-profit organizations to ensure that these data are used to promote action that will help Worcester perform better on these various indicators.

This year we've included data for new comparison cities in addition to those from last year's report. The information for these additional cities allows a fuller assessment of where Worcester stands compared to other mid-sized cities in the northeast.

It is also important to note that indicators in this report are interrelated. The state of Worcester's economic development efforts is not completely illustrated using only one or two of the indicators. For example, the level of new growth in Worcester (**Indicator 3: Private Investment**) directly impacts the overall tax base (**Indicator 1: Commercial and Residential Tax Base**). The overall tax base, in turn, affects the tax rate (**Indicator 2: Commercial and Residential Tax Rate**) because of the revenue generated.

Thank you for taking the time to read this report. We hope that it will encourage widespread discussion about the future of Worcester and how performance measures can be used as a basis for making sound public policy.

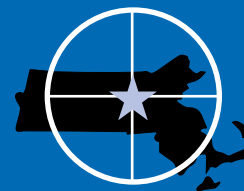
Sincerely,

Mark Colborn - President

Roberta R. Schaefer, Ph.D. - Executive Director

Richard H. Beaman - Manager, CCPM

Executive Summary



Findings:

- Industrial and commercial property continued to decline as a proportion of the tax base during FY02.
- The total assessed value of residential property continued to rise, increasing by 15% during the last fiscal year.
- The size of Worcester's labor force increased by almost 2,000 people. Since the number of jobs in the city declined by almost 200, many of these individuals are commuting to work elsewhere rather than working in the city.
- The percent of Worcester residents who commute more than 30 minutes to work increased from 19% to 25% between 1990 and 2000.
- The occupancy of downtown office space increased to 87.4% in 2002, 5% higher than in 2000.
- Although Worcester's commercial tax rate declined 8.1% from FY01 to FY02, it is higher than all towns that border Worcester as well as the nearest communities in the I-495 corridor.

Questions:

- Is Worcester continuing to lose its status as a center of commerce and industry and becoming more of a bedroom community for Metro-Boston commuters?
- Since the commercial tax base is not increasing at a rate comparable to that of the residential, how will the city afford increased demands on municipal services such as public schools and public safety?
- As the labor force expands within the city, how can Worcester promote commercial/industrial growth within the city to take advantage of a well-trained workforce?
- Can a well-functioning Worcester Regional Airport serve as a catalyst for economic growth?
- Can a regional economic development alliance as proposed in the Research Bureau's recent report (#02-04) promote an improved business climate that will facilitate economic growth?

Highlights:

	PAGE
INDICATOR 1: Commercial and Residential Tax Base	3-4
<i>The total assessed value of all taxable properties increased 11.9% to \$6.65 billion.</i>	
<i>The total assessed value of residential properties increased 15.0% while the assessed value of commercial properties increased 3.6%.</i>	
INDICATOR 2: Commercial and Residential Tax Rate	5-6
<i>The residential tax rate declined 3.4% to \$17.85 per \$1,000 of assessed valuation in FY02.</i>	
<i>The commercial tax rate declined 8.1% to \$31.46 per \$1,000 of assessed valuation in FY02.</i>	
INDICATOR 3: Amount of Private Investment	7-8
<i>The value of new residential construction in FY02 increased 42.4% over the FY01 level.</i>	
<i>The value of new commercial construction declined 5.5% from the FY01 level.</i>	
INDICATOR 4: Employment and Labor Force Growth	9-10
<i>Between 2000 and 2001, the number of jobs in the city declined by 196. The greater Worcester area gained 2,000 jobs. The labor force in the city of Worcester increased by 1,953 people.</i>	
INDICATOR 5: Downtown Office Occupancy	11-12
<i>The occupancy of downtown office space increased from 82.4% in 2000 to 87.4% in 2002.</i>	
INDICATOR 6: Abandoned and Distressed Properties	13-14
<i>There are 44 fewer vacant residential properties in the city than there were in 2001.</i>	
<i>There is one less vacant commercial property in the city than in 2001.</i>	
INDICATOR 7: Local Permitting Process	15-16



1

Commercial & Residential Tax Base

Why is it important?

The total assessed value of all commercial and residential properties is the value of property that is subject to local taxation. The revenue generated from these taxes funds various municipal services and programs. As one economic development text states, "The strength of the local tax base reflects the health of the local economy. A weak tax base can be an indication of a difficult local economy... On the other hand, a strong tax base may reflect a well-functioning local economy..."¹

The distribution of property values between residential and commercial properties reflects the relative strength of each market. To remain a center of commerce and industry a city must balance its residential growth with commercial and industrial growth.

How does Worcester perform?

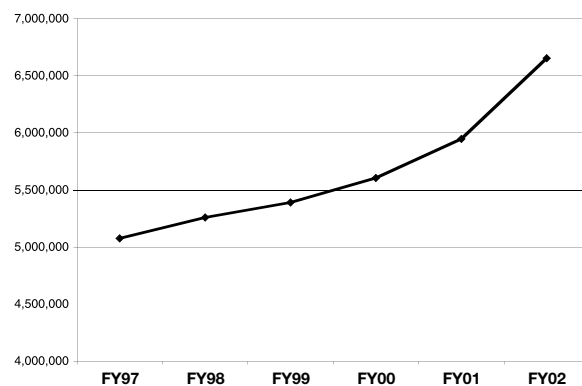
The total assessed value of taxable properties in Worcester in FY02 was \$6.65 billion, an increase of 11.9% from FY01.² As shown in **Chart 1-1**, the total assessed value of properties has increased each year since 1997, and its growth has accelerated in the last couple of years. As shown in **Chart 1-2**, however, the growth over the last year has been stronger for residential properties than for commercial/industrial properties. The total assessed value of residential properties increased 15%, while the assessed value of commercial/industrial properties increased just 3.6%.

As shown in **Chart 1-3**, the large increase in the value of residential properties has increased its overall proportion to 74.9% of all properties, the highest it has ever been. This is a continuation of a long-term decrease in the commercial and industrial base of the city. In FY84, the commercial/industrial proportion was 35.4%.

As shown in **Chart 1-4**, Worcester had the second highest assessed value of properties compared to other mid-sized cities in the northeast.³ Only Syracuse had a higher total assessed value of \$6.7 billion.

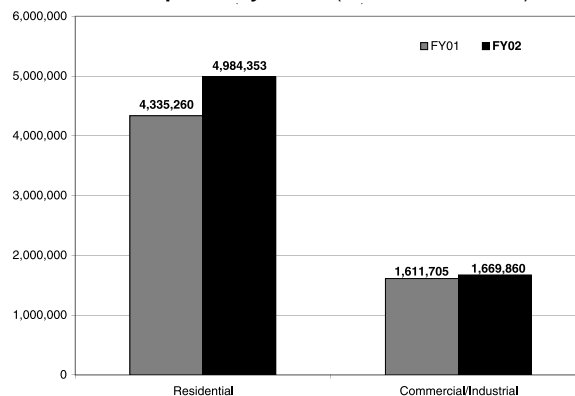
Charts 1-5 and 1-6 compare Worcester's annual growth in the assessed value of residential and commercial/industrial properties to other Massachusetts cities. Worcester has generally outperformed the other cities in residential value growth, but has been below Springfield's growth in the commercial tax base.⁴

Chart 1-1: Total Assessed Value of All Properties in Worcester, FY97-FY02 (thousands of dollars)



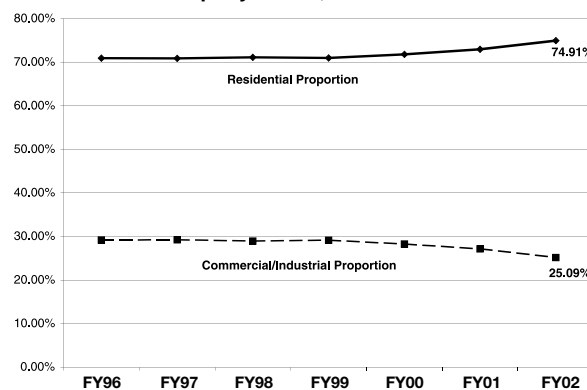
Data source: Massachusetts Department of Revenue

Chart 1-2: Growth in the Total Assessed Value of Properties by Class (thousands of dollars)



Data source: Massachusetts Department of Revenue

Chart 1-3: Trend in the Distribution of Property Values, FY96-FY02



Data source: Massachusetts Department of Revenue

¹ Walzer, Norman, ed. (1995). *Local Economic Development: Incentives and International Trends*. Boulder, CO: Westview Press.

² This does not include the value of tax exempt properties which was \$1.83 billion in FY02.

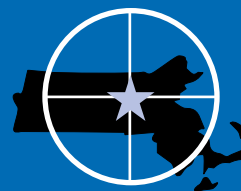
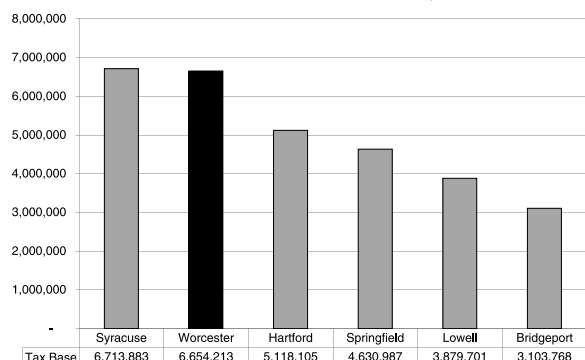


Chart 1-4: Comparison of the Total Assessed Value of Properties, Worcester and Northeastern Cities (in thousands of dollars)



Data source: Massachusetts Department of Revenue, City of Syracuse Assessor, City of Hartford Assessor, City of Bridgeport Assessor
 Note: Because Hartford and Bridgeport assess property at only 70% of full market value, their tax bases have been adjusted for comparison purposes.
 Providence's tax base information was unavailable at the time of publication. In FY01, Providence's tax base was \$5.1 billion

HIGHLIGHTS

Total Assessed Value of Properties, FY02 . . . \$6,654,213,000
Residential Growth15.0%
Commercial Growth3.6%

What does this mean for Worcester?

The total assessed value of properties in Worcester is important because it generates the revenues to fund municipal services, and the businesses that constitute the tax base provide the jobs for residents in Worcester and the region. As well, increasing values indicate that Worcester is becoming a more attractive place to live and to conduct business.

*As also shown in **Indicator 3: Private Investment**, the residential market in Worcester is very strong. This has been confirmed by recent information about the median home selling price in Worcester, which has increased more than 38% between 2000 and 2002.⁵ Clearly, Worcester's lower housing costs compared to those in communities to the east are enhancing its attractiveness as a place to live.*

*Unfortunately, growth in the commercial/industrial sector has not followed growth in the residential sector. How can Worcester promote itself as a good location to conduct business? Since more people are choosing to live in Worcester (Worcester's population increased by 2,889 people from 1990 to 2000⁶), can the city market itself to businesses that could take advantage of an increasing labor pool (see **Indicator 4: Employment and Labor Force Growth**)? Expanding the commercial/industrial tax base would help pay for the increased pressure placed on current city services by a growing population (such as schools, street maintenance, etc.). Similarly, an expanded commercial tax base will help alleviate the increasing tax burden on residential homeowners, as discussed in **Indicator 2: Residential and Commercial Tax Rate**.*

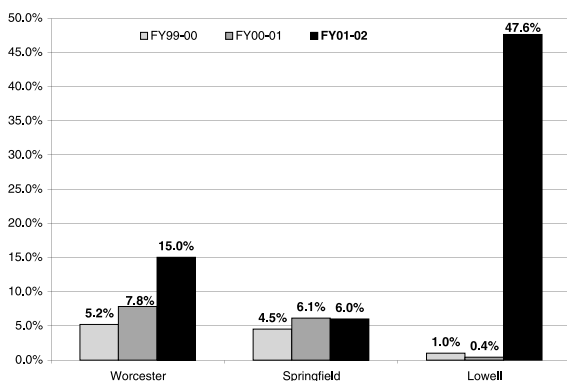
³ Information about Providence's tax base was unavailable at the time of publication. In FY01, Providence's total tax base was \$5.1 billion.

⁴ Lowell's high increase is due to a recertification of property values for FY02.

⁵ The Warren Group: www.thewarrengroup.com. Also see Research Bureau report no. CCPM-02-04, "The 2000 Census: Income and Educational Attainment in Worcester and the Region."

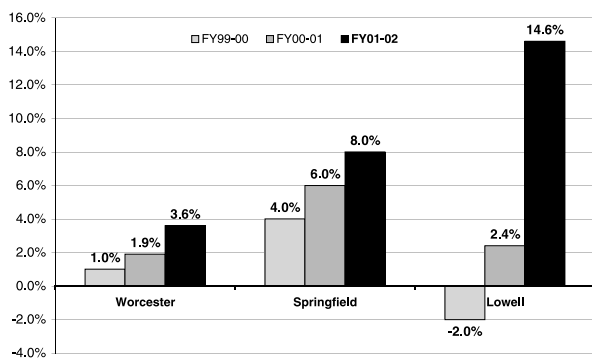
⁶ According to Census 2000.

Chart 1-5: Annual Growth in the Total Assessed Value of Residential Properties



Data source: Massachusetts Department of Revenue
 Note: Lowell's high increase from FY01-02 was due to a recertification of property values in FY02.

Chart 1-6: Annual Growth in the Total Assessed Value of Commercial/Industrial Properties



Data source: Massachusetts Department of Revenue
 Note: Lowell's high increase from FY01-02 was due to a recertification of property values in FY02.



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2

Commercial & Residential Tax Rate

Why is it important?

Businesses looking to relocate or expand existing offices take into consideration a number of conditions that affect the cost of doing business in a particular community, including the property tax rate. The tax rate is the dollar amount of taxes per \$1,000 of assessed value. For example, a property that is valued at \$100,000 in a community with a tax rate of \$31.46 has an annual property tax of \$3,146.

Property taxes, of course, are not the only condition that businesses take into account when choosing a location. Other conditions include the labor supply for the particular business, wage rates, energy costs, the cost of housing, educational opportunities, transportation networks, office space that is ready to be occupied, or land that is ready for immediate development. Nonetheless, lower commercial tax rates do have the potential to "swing" businesses to one community over another. A further indication of the importance of the tax rate is the current popularity of various tax incentives, such as tax increment financing (TIFs) that combine tax abatements over a number of years with a guarantee that the company granted the tax abatement will create a certain number of jobs.

Property taxes also affect the level of municipal services, since they provide an important funding source for these services. The quality and quantity of municipal services will in turn affect business and homeowner location decisions. For example, according to real estate brokers, the quality of the public schools is the single most important factor determining the community in which families with school-age children will choose to buy a home. An increasing population (see **Indicator 4: Employment and Labor Force Growth**) places additional burdens on those municipal services that are paid for by property taxes.

Table 2-1: Tax Rates in Border Communities

	Commercial	3-yr. Change	Residential	3-yr. Change
Boylston	\$13.04	-30.7%	\$13.04	-22.8%
Shrewsbury	\$13.58	-1.0%	\$13.58	-1.0%
Leicester	\$13.81	-16.1%	\$13.81	-16.1%
Grafton	\$14.74	-6.7%	\$14.74	-6.7%
West Boylston	\$16.20	-10.0%	\$16.20	-10.0%
Holden	\$16.50	-9.7%	\$16.50	-9.7%
Paxton	\$16.60	-15.6%	\$16.63	-15.6%
Millbury	\$19.16	22.3%	\$19.16	22.3%
Auburn	\$23.87	-2.7%	\$13.08	-1.8%
Worcester	\$31.46	-13.4%	\$17.85	-3.4%

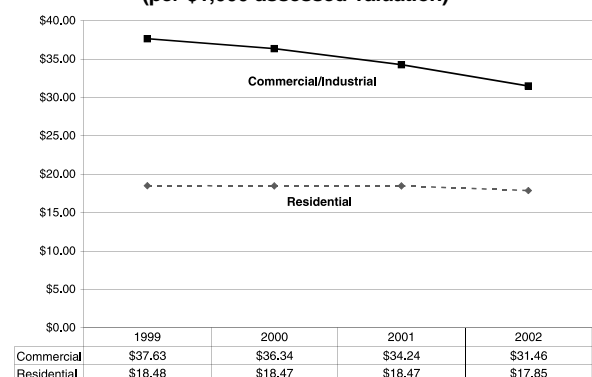
How does Worcester perform?

Under state law, towns and cities have the option to adopt property classification. If adopted, different classes of property (residential and commercial/industrial) are taxed at different rates, thereby shifting more of the tax burden away from residential property owners and onto commercial and industrial property owners.¹ If the locality does not adopt classification, there is a single tax rate for all properties.

As shown in **Table 2-1** and **Chart 2-1**, Worcester has adopted classification and currently has a commercial/industrial tax rate in FY02 of \$31.46 per \$1,000 of assessed value. This is a reduction of 8.1% from the FY01 commercial tax rate of \$34.24. Worcester's residential tax rate for FY02 is \$17.85 per \$1,000 of assessed value. This is a 3.4% reduction from the FY01 rate of \$18.47.

Compared to the other northeastern cities listed in **Chart 2-2**, Worcester's residential and commercial/industrial tax rates are fairly competitive. Bridgeport and Hartford have the highest tax rates of those cities included in this study.² Compared to the towns near Worcester, however, Worcester's tax rates are not competitive, as shown in **Tables 2-1** and **2-2**. In fact, Worcester has the highest commercial tax rate of all towns that border Worcester as well as those closest to the city in the I-495 corridor. Although Worcester's rates have declined over the last three years, most other communities have also reduced their rates. Therefore, Worcester remains at a competitive disadvantage in the region in terms of the tax rate.

Chart 2-1: Worcester's Tax Rate, FY99 to FY02 (per \$1,000 assessed valuation)



Data source: Massachusetts Department of Revenue

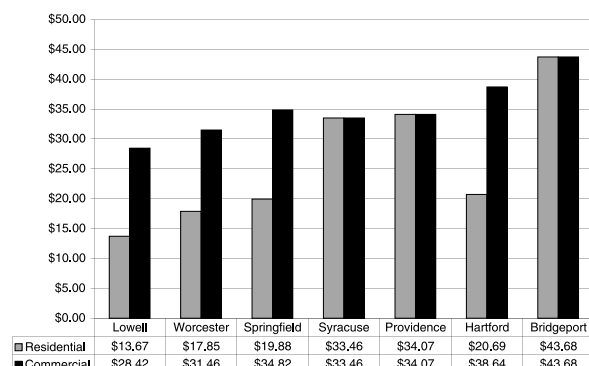


What does this mean for Worcester?

Because residential property values in Worcester have increased over 14% during the last year, residential tax bills have increased, even though the tax rates have fallen. For example, the average residential tax bill increased from \$2,175 in FY01 to \$2,401 in FY02. Meanwhile, the average commercial/industrial tax bill declined slightly from \$12,951 in FY01 to \$12,607 in FY02. It is probable that residential values will continue to increase into FY03 and the average tax bill will likewise increase for residential property owners.

Although Worcester's tax rates are competitive with other mid-sized cities in the northeast, Worcester is generally not competing against them for economic development. Rather, Worcester competes with other communities in the immediate surrounding region. Since Worcester's tax rates are the highest, and in many cases Worcester's commercial tax rate is almost twice what it is in these other towns, Worcester is at a competitive disadvantage for attracting new commercial development.

Chart 2-2: FY02 Tax Rates: Worcester and Comparable Cities



Data source: Massachusetts Department of Revenue, City of Syracuse Assessor, City of Hartford Assessor, City of Bridgeport Assessor
Note: Because Bridgeport and Hartford assess property at only 70% of full market value, their tax rates have been adjusted for comparison purposes.

HIGHLIGHTS

Tax Rates, FY02

Residential \$17.85 per \$1,000

Commercial \$31.46 per \$1,000

Table 2-2: Tax Rates in I-495 Communities

	Commercial	3-yr. Change	Residential	3-yr. Change
Upton	\$11.32	-8.8%	\$11.32	-8.8%
Harvard	\$11.67	-15.4%	\$11.67	-15.4%
Southborough	\$12.66	-11.5%	\$12.66	-11.5%
Westborough	\$13.50	-10.7%	\$13.50	-10.7%
Hopkinton	\$14.66	-6.6%	\$14.66	-6.6%
Berlin	\$14.97	-1.4%	\$14.97	-1.4%
Boxborough	\$15.47	-8.4%	\$15.47	-8.4%
Bolton	\$16.04	-2.3%	\$16.04	2.3%
Northborough	\$16.28	-1.5%	\$16.58	-1.5%
Ashland	\$17.92	-1.0%	\$16.79	-3.7%
Hudson	\$21.90	-7.6%	\$11.51	-14.6%
Milford	\$25.49	-14.0%	\$14.28	-13.7%
Marlborough	\$25.62	-8.7%	\$14.75	-9.6%
Worcester	\$31.46	-13.4%	\$17.85	-3.4%

¹ For example, in FY02, residential property owners in Worcester paid 62.9% of the total tax levy whereas residential properties constitute 74.9% of the tax base. Commercial property owners paid 37.1% of the total tax levy and constitute 25.1% of the total tax base.

² Bridgeport and Hartford assess taxes on only 70% of the full market value of a property. Therefore, their tax rates have been adjusted for comparison purposes.



3

Amount of Private Investment

Why is it important?

Growth in the City's tax base is partially due to new construction. As previously described in **Indicator 1: Commercial and Residential Tax Base**, Worcester's overall tax base grew 11.9% from FY01 to FY02. This indicator elaborates that statistic by highlighting the amount of this increase that was due to new construction. New construction indicates a vibrant community that is able to attract new development, increase its tax base, and create new jobs.

Chart 3-1: Value of New Residential Construction in Comparable Massachusetts Cities, FY00-FY02

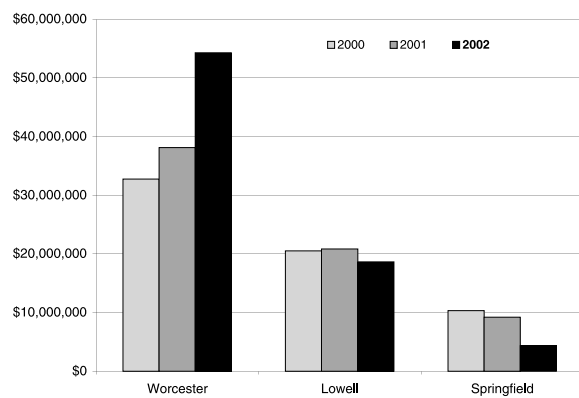
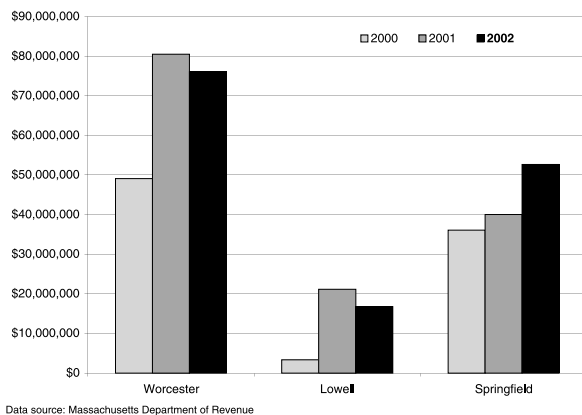


Chart 3-2: Value of New Commercial/Industrial Construction in Comparable Massachusetts Cities, FY00-FY02



How does Worcester perform?

The total value of new construction in Worcester increased 9.9% from \$118.6 million in FY01 to \$130.3 million in FY02. This increase was due to growth in the residential market where the value of new construction increased from \$38.1 million in FY01 to \$54.3 million in FY02 (an increase of 42.4%). The value of new commercial/industrial construction in Worcester fell 5.5% from \$80.5 million in FY01 to \$76 million in FY02.

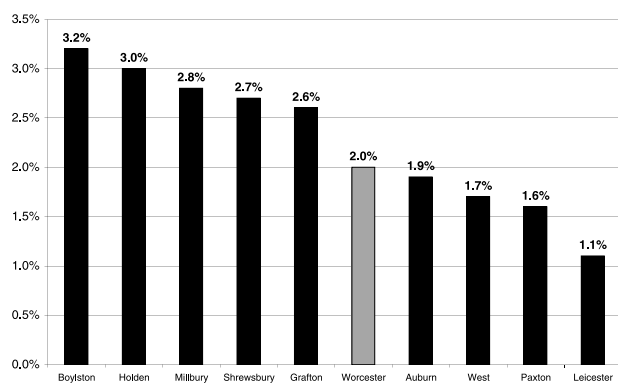
The total value of new construction in Worcester in FY02 was higher than in other comparable cities in Massachusetts, including Springfield and Lowell. As shown in **Chart 3-1**, the value of residential new construction in Worcester has increased steadily over the last three years. In Lowell and Springfield, however, it declined. As shown in **Chart 3-2**, the value of new commercial/industrial construction in Worcester and Lowell declined from 2001 to 2002 but increased in Springfield.

As a percentage of the tax base, the value of Worcester's new residential construction in FY02 was 1.1% of the residential tax base and the value of new commercial/industrial construction was 4.6% of the commercial tax base. **Chart 3-3** shows the value of FY02 new construction for Worcester and its surrounding towns as a percentage of the total tax base. Worcester's overall new construction value rate (2.0%) surpassed that of Auburn (1.9%), West Boylston (1.7%), Paxton (1.6%), and Leicester (1.1%), but lagged behind other surrounding towns, including Grafton (2.6%), Shrewsbury (2.7%), Millbury (2.8%), Holden (3.0%), and Boylston (3.2%). This is the second year in a row that Worcester's rate has been below the rates in most of the surrounding towns.

It seems Worcester is becoming a "bedroom community" of Metro-Boston commuters.

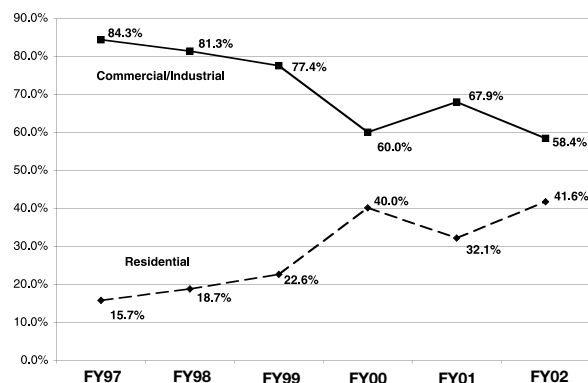


Chart 3-3: Value of New Construction as a Percentage of the Tax Base for Worcester and Surrounding Towns, FY02



Data source: Massachusetts Department of Revenue

Chart 3-4: Distribution of the Value of New Construction in Worcester, FY97-FY02



Data source: Massachusetts Department of Revenue

HIGHLIGHTS

**Change in the value of
new commercial/industrial construction
FY01-FY02: -5.5%**

**Change in the value of
new residential construction
FY01-FY02: +42.4%**

What does this mean for Worcester?

*Residential growth, as also shown in other indicators in this report, continues to strengthen in Worcester. However, the value of commercial/industrial new construction in Worcester decreased slightly from 2001 to 2002.¹ The result is that in FY02, 41.6% of the value of new construction was residential and 58.4% was commercial. As shown in **Chart 3-4**, this is a continuation of the trend suggested in last year's report: Worcester seems to be becoming a bedroom community of Metro-Boston commuters.*

*As the workforce continues to grow in Worcester (as shown in **Indicator 4: Employment and Labor Force Growth**), marketing strategies may be able to promote new commercial growth within the city that can take advantage of a well-trained workforce. One option for promoting economic development may be a Worcester Regional Economic Development Alliance (WREDA) as recently proposed by the Research Bureau. Such an alliance would promote a more favorable business climate by offering a number of services including coordinating inquiries from prospective businesses, maintaining an inventory of information about available financial resources and workforce development opportunities, and assisting businesses in accessing technical and financial programs.²*



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¹ One possibility for the low level of new commercial/industrial construction in the city is because of the lack of available lots on which to build. As discussed in Indicator 2, one factor that businesses consider when evaluating possible business locations is the availability of land that is ready for development.

² Worcester Regional Research Bureau, Report No. 02-4, October 7, 2002, p. 1.

4

Employment and Labor Force Growth

Why is it important?

Strong and steady growth in the number of jobs over time indicates a healthy economy. Slow job growth and high unemployment relative to other communities are signs of a poorly performing economy, and can result in further unwillingness to invest.

For companies to relocate or expand offices in Worcester, they must have access to well-qualified and appropriately trained employees.

How does Worcester perform?

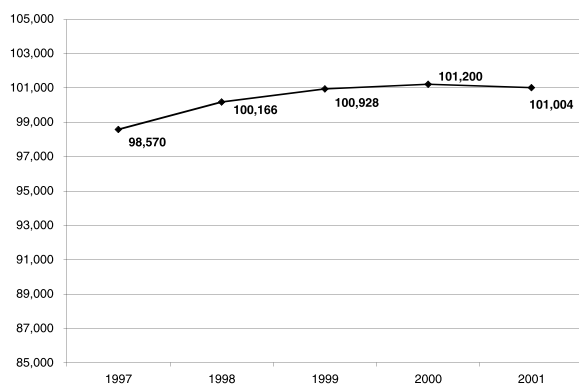
During calendar year 2001, Worcester had an average employment of 101,004.¹ As shown in **Chart 4-1**, this is a slight decline (0.2%) in the number of jobs in the city; there were 101,200 during 2000. This decline follows several years of slow, yet steady job growth in Worcester. **Chart 4-2** shows the increase or decrease in jobs for different industries between 1999 and 2001. Trends in industries from 2000 to 2001 were consistent with trends from the prior year, except in the area of government employment. Whereas Worcester lost jobs in government between 1999 and 2000, it gained jobs in this category between 2000 and 2001.

In the Worcester metropolitan statistical area (MSA), which encompasses Worcester and the surrounding area, there were 236,200 jobs in 2001, or an increase of 0.9% since 2000.²

Chart 4-3 compares statistics for the Worcester MSA with other MSAs in the northeast. The Hartford MSA has greatest number of jobs (615,000), but this was a decline of 0.7% from 2000.³

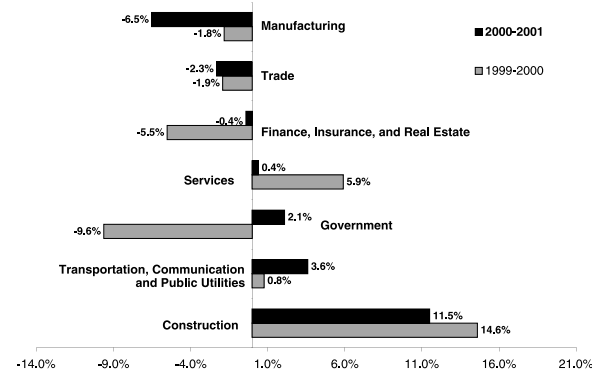
As shown in **Chart 4-4**, the labor force in Worcester has grown significantly since 2000.⁴ During the first seven months of 2002, Worcester had an average labor force of 80,540, which is a 6.4% increase over 2000. As shown in **Table 4-1**, only Lowell had a larger increase in its labor force since 2000. Hartford, Bridgeport, and Providence all saw declines in their labor forces. The unemployment rate has also increased in Worcester since 2000, following a state and national trend. During the first seven months of 2002, Worcester had an average unemployment rate of 5.9%. However, Worcester's unemployment for 2002 remained below the other comparison cities.

Chart 4-1: Number of Jobs in Worcester, 1997-2001



Data source: Massachusetts Department of Employment and Training

Chart 4-2: Worcester's Job Growth by Industry Category, 1999-2000 and 2000-2001



Data source: Massachusetts Department of Employment and Training

¹ Massachusetts Department of Employment and Training, ES-202 series data, based on the number of jobs within city limits held by either residents or non-residents of the locality.

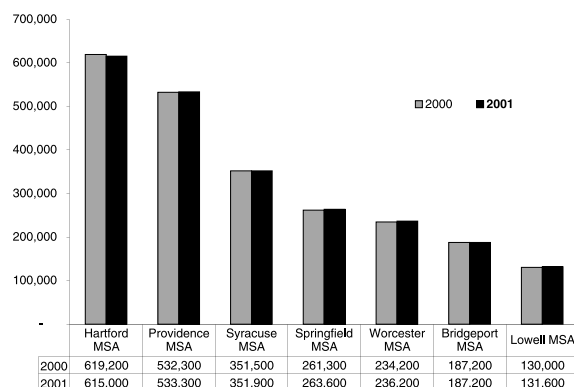
² The Worcester MSA includes the following towns: Auburn, Barre, Boylston, Brookfield, Charlton, Clinton, Douglas, Dudley, East Brookfield, Grafton, Holden, Leicester, Millbury, Northborough, Northbridge, North Brookfield, Oakham, Oxford, Paxton, Princeton, Rutland, Shrewsbury, Southbridge, Spencer, Sterling, Sturbridge, Sutton, Uxbridge, Webster, Westborough, West Boylston, West Brookfield, and Worcester.

³ See the Appendix for a comparison of the overall populations of these MSAs.

⁴ For more detailed demographics of Worcester and the region, see Research Bureau report no. CCPM-02-04, "The 2000 Census: Income and Educational Attainment in Worcester and the Region," and report no. 01-05, "The 2000 Census: A Preliminary Look at Worcester and the Region."

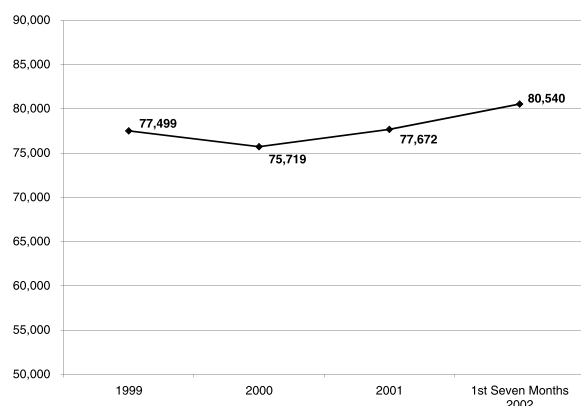


Chart 4-3: Number of Jobs in Metro Areas, 2000 and 2001



Data source: Massachusetts Department of Employment and Training, New York State Department of Labor, Rhode Island Department of Labor and Training, Connecticut Department of Labor

Chart 4-4: Growth in Worcester's Labor Force, 1999-2002



Data source: Massachusetts Department of Employment and Training

Table 4-1: Labor Forces and Unemployment Rates for Northeastern Cities, 2000-2002

	Labor Force 1st Seven Months 2002	Labor Force Growth 2000-2002	Unemployment Rate, 2002
Worcester	80,540	6.4%	5.9%
Syracuse	73,743	1.7%	8.1%
Providence	67,970	-0.1%	6.2%
Springfield	65,573	5.2%	6.5%
Bridgeport	59,540	-1.4%	7.1%
Lowell	54,511	6.8%	7.3%
Hartford	52,047	-1.4%	7.3%

Data source: Massachusetts Department of Employment and Training, New York State Department of Labor, Rhode Island Department of Labor and Training, Connecticut Department of Labor.

HIGHLIGHTS

From 2000 to 2001....

Worcester lost 196 jobs.

The greater Worcester area gained 2,000 jobs.

Worcester's labor force grew by 1,953 people.

Table 4-2: Commuting Trends in Worcester

	1990	2000
Percent of workers working outside of Worcester	31%	43%
Percent of workers who commute less than 20 minutes to work	64%	56%
Percent of workers who commute 20-30 minutes to work	17%	19%
Percent of workers who commute more than 30 minutes to work	19%	25%

Data source: 2000 Census

What does this mean for Worcester?

Between 2000 and 2001, the number of jobs in the city of Worcester declined, but the size of the labor force grew. The city's unemployment rate remained relatively low. This may be the result of more people of working age living in the city, while many of them are working outside the city. This is confirmed by recent information from the 2000 Census showing that workers living in Worcester have longer commutes than they did in 1990. As shown in **Table 4-2**, the percent of the population that lived in Worcester but worked in another community increased from 31% in 1990 to 43% in 2000. Also, the number of individuals who have a commute longer than 30 minutes increased from 19% in 1990 to 25% in 2000. It would be advantageous to these commuters, as well as to the City's prosperity, if job growth could be promoted within Worcester.



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5

Downtown Office Space Occupancy

Why is it important?

A high occupancy rate in a downtown area indicates a strong business and retail economy in the central area of a city, whereas a low occupancy rate (high vacancy) indicates weakness in attracting businesses to the downtown core. A low occupancy rate can also be caused by a lack of appropriate office space for businesses wishing to relocate, reflecting the presence of older buildings that have not been renovated, or space that is too large or too small for particular businesses. High occupancy rates for office space in downtown areas result in more employees and therefore higher demand for related amenities, such as restaurants, convenience stores, and retail shops.

**How does Worcester perform?**

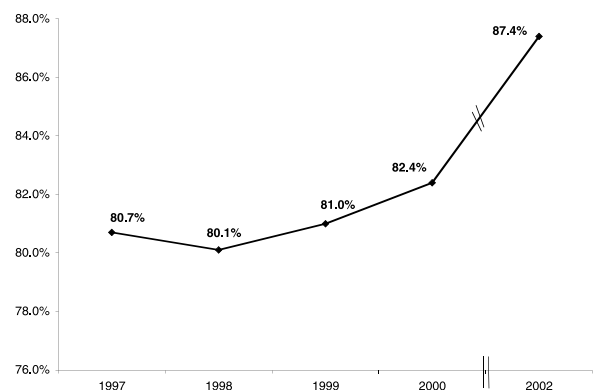
From 1997 to 2000, the Worcester Regional Chamber of Commerce conducted an annual survey to determine office space occupancy and vacancy rates in downtown Worcester. The Research Bureau used the Chamber's information in last year's report on economic development. To collect updated information, the Worcester Regional Chamber of Commerce and the Worcester Regional Research Bureau collaborated to complete a survey during the spring/summer of 2002.¹

According to the survey and as shown in **Table 5-1**, there was a total of 5,347,132 square feet of office space in the downtown area, of which 87.4% was occupied.

The occupancy rate for office space in downtown Worcester has increased since the 2000 survey. As shown in **Chart 5-1**, the 2002 occupancy rate is the highest that it has been since the survey began in 1997.

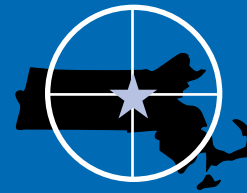
Table 5-1: Occupancy Rate for Downtown Office Space, 2002

Type of Building	Total (Sq. Ft.)	Occupied (Sq. Ft.)	Occupancy Rate
Class A (New construction or extensive reconstruction)	2,688,244	2,349,504	87.4%
Class B (Older, renovated)	1,066,996	955,020	89.5%
Class C (Older, unrenovated)	1,591,892	1,370,153	86.1%
TOTAL	5,347,132	4,674,677	87.4%

Chart 5-1: Historical Occupancy Rates: 1997 to 2002

Source: 1997-2000, Worcester Regional Chamber of Commerce, 2002, Worcester Regional Research Bureau. The survey was not completed in 2001.

¹ The full results of the survey are contained in the report "Downtown Worcester Office Occupancy: 2002 Survey," which is available on the Research Bureau's website <http://www.wrrb.org>.



What does this mean for Worcester?

Occupancy of downtown office space has increased over the last several years. If this trend continues, it will be a good sign for the vitality of downtown Worcester. However, 51 of the 81 buildings downtown still have some space available. Of these, 38 buildings have available space of less than 10,000 square feet, as shown in **Table 5-2**. Only five buildings in the downtown area have more than 25,000 square feet of available space, although this space may not be contiguous. There are no class B buildings with more than 25,000 square feet of available space. Therefore, large organizations potentially looking to relocate to downtown Worcester may have difficulty finding contiguous space large enough for their needs.

It should also be noted that while the occupancy rate has increased, little new office space has been built in downtown Worcester in the last ten years. In fact, the last major multi-tenant building to be built was Chestnut Place, completed in 1990. The most recent construction or major rehabilitation has been medical-related: the Worcester Medical Center and the Massachusetts College of Pharmacy. While the recent increase in medical-related space downtown is a good sign that Worcester is becoming a center for medical, biomedical, and biotechnology industries, the lack of new multi-tenant construction in the downtown area stands in stark contrast to the high level of construction that has occurred in the last several years in the I-495 corridor to the east, as was discussed in **Indicator 3: Amount of Private Investment**.

Recent evidence indicates that commercial real estate in markets near Worcester, including some of those listed elsewhere in this report, have weakened while the occupancy rate in Worcester has been improving. The occupancy rate in the I-495/ Route 2 area has fallen to 73.5%.² Downtown office space occupancy in Boston, which for the last several years had been the highest in the country, dropped to 87.6% in March, 2002.³ Similarly, Providence's occupancy rate fell from 89% in 2000 to 86.2% in 2001.

HIGHLIGHTS

Downtown office space occupancy

200082.4%
200287.4%

Table 5-2: Detail of Buildings with Available Space

		Total Number of Buildings with Vacancies...		
	No. of Buildings	< 10,000 sq. ft.	10,000-25,000 sq. ft.	> 25,000 sq. ft.
Class A	13	8 totaling 45,240 sq. ft.	1 totaling 20,000 sq. ft.	4 totaling 273,500 sq. ft.
Class B	17	15 totaling 70,976 sq. ft.	2 totaling 41,000 sq. ft.	None
Class C	21	15 totaling 70,739 sq. ft.	5 totaling 96,000 sq. ft.	1 totaling 55,000 sq. ft.
TOTAL	51	38 totaling 186,955 sq. ft.	8 totaling 157,000 sq. ft.	5 totaling 328,500 sq. ft.

² Jim Bodor, "Office Space Grows a Notch," *Worcester Telegram & Gazette*, 12 August 2002.

³ "Office Vacancies Up," *The Boston Globe*, 27 July 2002, third edition.



6

Abandoned and Distressed Properties

Why is it important?

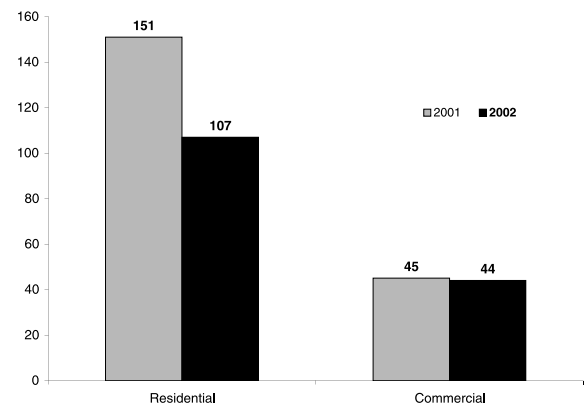
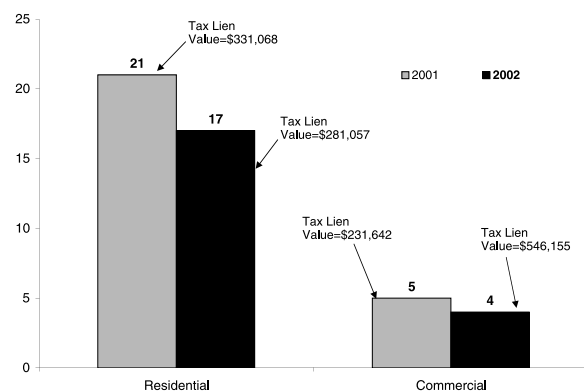
In its 1997 report “*Distressed Property in Worcester: The Problems and the Options*,” the Research Bureau identified the deleterious consequences of abandoned properties, including neighborhood destabilization, economic costs, fire safety, drug and crime problems, dumping of trash, and rodent infestation. The concerns about vacant structures within the city intensified after the tragic fire that killed six Worcester firefighters at a vacant warehouse in 1999.

How does Worcester perform?

The City of Worcester maintains a database for tracking all vacant commercial and residential buildings. Housed at the Department of Code Enforcement, the database provides a means of communication and coordination among departments that share responsibility for vacant properties, including the Fire and Police Departments, and the Department of Code Enforcement.

As shown in **Chart 6-1**, between July, 2001 and August, 2002, according to the City’s database, the number of vacant residential properties decreased from 151 to 107, or 29%.¹ Just one commercial vacant property was removed from the list, bringing the number of vacant commercial buildings down to 44 from 45 in 2001.

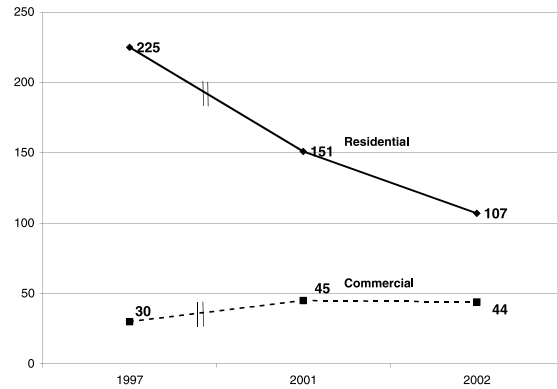
Since some of the current 151 vacant structures will undoubtedly be reoccupied in the future, one method to determine whether owners have abandoned their properties is an analysis of property tax payments. If owners pay taxes on time, they presumably see some value in keeping the property and may be considering renovations and rental. If owners are delinquent in paying property taxes, they may have completely abandoned the property. As shown in **Chart 6-2**, the number of vacant residential properties with tax liens declined from 21 in 2001 to 17 in 2002. **Figure 6-1** shows the current status of the 21 buildings that were vacant with tax liens in 2001. The number of commercial vacant properties declined from five in 2001 to 4 in 2002. **Figure 6-2** shows the current status of the five buildings that were vacant with tax liens in 2001.

**Chart 6-1: Number of Vacant Structures, 2001 and 2002****Chart 6-2: Vacant Structures with Tax Liens, 2001 and 2002**

¹ A building is removed from the database when building or business permits are issued and the property has been reoccupied or is in the process of rehabilitation and reoccupation.



Chart 6-3: Historical Trend of Vacant Structures, 1997-2002



Data source: Worcester Municipal Research Bureau, Report No. 97-2
City of Worcester Department of Code Enforcement

HIGHLIGHTS

**44 Fewer Vacant Residential Properties
than in 2001**

**1 Less Vacant Commercial Property
than in 2001**

What does this mean for Worcester?

The reduction in the number of vacant residential properties in Worcester is most likely a reflection of the strength of the overall residential market. Nonetheless, there are still 107 vacant residential properties in the city; Worcester needs to determine how to promote the rehabilitation and reuse of these properties. As described in last year's report, the City had begun to utilize provisions of the Massachusetts General Laws Chapter 58, Section 8 (allowing the City to grant tax abatements for residential properties to encourage their rehabilitation) on four residential properties. Only one of those properties has been removed from the abandoned buildings list. The City should evaluate whether it is utilizing this tool in the most effective way possible.

*As shown in **Chart 6-3**, from 1997 to 2001, the number of vacant commercial buildings increased by 15 buildings. That number declined by one from 2001 to 2002. Does this indicate that Worcester has reversed this troubling trend? However, as suggested by other measures in this report, the very slight reduction in the number of vacant commercial buildings compared to the higher rate for residential buildings may be another indicator that Worcester is increasingly becoming a bedroom community of Metro-Boston commuters.*

Figure 6-1: Current Status of 2001 Vacant Residential Buildings with Tax Liens

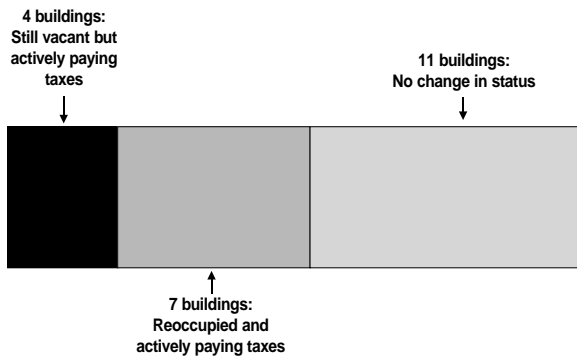


Figure 6-2: Current Status of 2001 Vacant Commercial Buildings with Tax Liens



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7

Local Permitting Process

Why is it important?

The City's business permitting process is one indicator of how easy it is to conduct business in Worcester. Communities that have user-friendly processes will be better positioned to attract and promote development.

Indicative of the importance of user-friendly local building permitting processes is the *Award for Excellence in Local Permitting* that was presented in 2001 to the town of Marlborough by Mass Insight, a Boston-based organization dedicated to promoting public-private partnerships in Massachusetts. The award, based on a survey of development professionals, was presented to Marlborough because of its coordinated approach that includes a knowledgeable professional staff, a comprehensive site plan review, an effective master plan, and good coordination among all boards with permitting authority.

How does Worcester perform?

Because of the complexity and interdepartmental nature of the permitting process, performance data are difficult to collect. In last year's report, we noted that the Research Bureau had enlisted the help of the Worcester Project Center at Worcester Polytechnic Institute to compare the permitting processes in Worcester with those in other similarly sized communities in the northeast. The findings of the study, completed in February, 2002, included the following:

- There are two possible "entry points" for businesses to begin the permitting process in Worcester: the Executive Office of Economic Development or the Department of Public Health and Code Enforcement. There is only one entry point in Springfield and Providence, thus improving the consistency of the information that is provided to potential developers.
- The amount of written information provided up-front to those who may be going through the permitting process in Worcester is lower than in other cities. For example, Providence provides written literature for possible applicants. Because comprehensive written information is not available about what may be required for different types of projects in Worcester, some applicants may not provide all the necessary information to the boards and commissions for quick action. As a result, projects may be delayed in order for the applicant to provide additional information.

The City administration has recognized that there are weaknesses in the current permitting structure in Worcester, including inadequate interdepartmental communication, insufficient number of permitting staff, and inadequate technological resources. The City is currently implementing the following changes, among others, to the permitting structure to address these concerns:

- The City has reorganized the Department of Public Health and Code Enforcement into two separate departments. The reorganization consolidates permitting processes, including the regulatory services of the Planning Board, Zoning Board of Appeals, Conservation Commission, and Historical Commission, into the new Department of Code Enforcement. This department will work closely with all other departments involved in the permitting process (such as Economic Development, Public Works, and Neighborhood Services), but it will be the central intake location for new projects.
- The City plans to increase the number of staff for the permitting and regulatory services processes as well as upgrade the site and technology to facilitate the permitting process. Regulatory Services, as currently structured, has only three staff and no clerical support or a staff member dedicated to providing technical assistance for zoning compliance. As financial resources permit, new staff positions for these duties will be established. In addition, the regulatory services staff will move into new space at the Meade Street building that will facilitate improved customer service.



What does this mean for Worcester?

*As described in the “Why is this important” section of this indicator, Marlborough received an award because of its knowledgeable professional staff, comprehensive site plan review, effective master plan, and good coordination among boards with permitting authority. The City of Worcester is beginning to implement similar strategies that will make Worcester a more attractive and easy place to conduct business. The outcome of this should be increased development within the city, and therefore should be reflected in future reports on **Indicator 3: Amount of Private Investment**.*

Communication among the various departments that have responsibility over new construction and permitting projects is critical to ensuring a process that is easy to use for developers and residents. Anecdotal evidence from developers suggests that the process in Worcester is currently difficult to navigate, but should improve as the changes mentioned above are implemented. To determine the user-friendliness of the process, the Research Bureau, in cooperation with the City Manager, is currently administering a customer satisfaction survey. It is the hope of the Research Bureau that this survey can be repeated before next year’s release of this report. Therefore, we will have data that can highlight whether the changes that are currently being implemented have improved the process.

Marlborough's steps to success:

- 1. Strong professional staff*
- 2. Comprehensive site plan review*
- 3. Effective master plan*
- 4. Good coordination between boards*

Mass Insight “Award for Excellence in Local Permitting” 2000



Profile of Comparison Communities

	Total Population	Metro Area Population	Population Density	White alone (non-minority)	Median Household Income	Percent of Families in Poverty	Median Home Value	Median Gross Rent	Owner-Occupied Housing
Providence	173,618	955,549	9,401.7	45.8%	\$26,867	23.9%	\$101,500	\$526	34.6%
Worcester	172,648	502,511	4,596.5	70.8%	\$35,623	14.1%	\$119,600	\$577	43.3%
Springfield	152,082	591,932	4,737.7	48.8%	\$30,417	19.3%	\$87,300	\$517	49.9%
Syracuse	147,306	732,117	5,871.0	62.4%	\$25,000	21.7%	\$68,000	\$506	40.3%
Bridgeport	139,529	459,479	8,720.9	30.9%	\$34,658	16.2%	\$117,500	\$671	43.2%
Hartford	121,578	1,183,110	7,025.5	17.8%	\$24,820	28.2%	\$93,900	\$560	24.6%
Lowell	105,167	290,772	7,635.6	62.5%	\$39,192	13.6%	\$134,200	\$627	43.0%

Source: 2000 Census, www.census.gov



CCPM Advisory Committee

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Community-at-Large	Bruce S. Bennett	Telegram & Gazette
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MISSION STATEMENT

The Worcester Regional Research Bureau is a private, non-profit organization dedicated to conducting independent, non-partisan research on financial, administrative, management and community issues facing Worcester's municipal government and the surrounding region.



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